

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 00702 112040Z

11

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /080 W

----- 035580

R 112005Z FEB 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 2836

LIMITED OFFICIAL USE SAN JOSE 0702

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK SETTLEMENT MAY BE COMING UNSTUCK

1. COSTA RICA'S STATE-OWNED COMMERCIAL BANKS HAVE NOT FOLLOWED THROUGH ON A COMMITMENT GIVEN BY THE CENTRAL BANK SEPTEMBER 19, 1975 TO CREDITORS OF THE FAILING LATIN AMERICAN BANK THAT THEY WOULD ASSUME RESPONSIBILITY FOR SOME \$16 MILLION (50 PERCENT) OF LAB'S LOAN PORTFOLIO. IF ACTION IS NOT TAKEN SOON, ONE OR MORE CREDITOR BANKS WILL PROBABLY TAKE ACTION TO HAVE LAB THROWN INTO BANKRUPTCY. THIS IS THE CURRENT STATUS OF THE LAB AFFAIR AS EXPLAINED TO THE AMBASSADOR BY A REPRESENTATIVE OF ONE OF THE CREDITOR BANKS, AND BY AN OFFICER OF THE NEW MANAGEMENT INSTALLED IN LAB BY THE CREDITOR BANKS FOR THE PURPOSE OF TRYING TO PUT ITS AFFAIRS IN ORDER.

2. DESPITE THE CENTRAL BANK'S COMMITMENT, WHICH WAS REPORTEDLY THE ONLY FACTOR THAT DISSUADED CREDITOR BANKS FROM THROWING LAB INTO BANKRUPTCY LAST SUMMER, THE MEMBER BANKS OF THE NATIONAL BANKING SYSTEM HAVE ONLY COMMITTED THEMSELVES TO TAKE OVER \$700,000 IN LAB ASSETS. THUS, THE CREDITOR BANKS FEAR THAT THE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 00702 112040Z

ONLY EFFECT OF THE CENTRAL BANK ASSURANCES HAS BEEN

TO DELAY ACTION AND PERHAPS ALLOW TIME FOR GRUPO PROIN PRINCIPALS TO LOOT THE REMAINING ASSETS. THE BANKERS STATED THAT THE BEARER SHARES WHICH REPRESENT CONTROL OF ONE SOLVENT GRUPO PROIN COMPANY, BEBRA S.A., WERE FORCIBLY REMOVED FROM THEIR POSSESSION. THEY FURTHER STATED THAT THEY DO NOT BELIEVE THAT THE CENTRAL BANK IS TAKING ANY COMPREHENSIVE ACTION TO CONSERVE THE ASSETS OF THE GRUPO PROIN COMPANIES WHICH REPRESENT THE BEST HOPE OF REALIZING SOME RETURN ON ALL OF THE LOANS (SOME 60-70 PERCENT OF ITS TOTAL PORTFOLIO) THAT THE LAB MADE TO THOSE COMPANIES.

3. THE BANKERS, AT THE URGING OF THE AMBASSADOR, PLAN TO BRING THIS SITUATION TO THE ATTENTION OF TOP LEVELS OF THE GOCR THROUGH A LETTER TO VICE PRESIDENT CASTILLO. PREVIOUS DISCUSSIONS AT THE CENTRAL BANK HAVE NOT LED TO SATISFACTORY ACTION. IF THEY DO NOT GET PROMPT ACTION ON THE CENTRAL BANK COMMITMENT, THEY PLAN TO RZGORT THE SITUATION TO THE CREDITOR BANKS IN THE U.S. AND ABROAD.
TODMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, DEBT REPAYMENTS, BANKRUPTCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANJO00702
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760053-0342
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760259/aaaabzvc.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by coburnhl>; APPROVED <25 OCT 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LATIN AMERICAN BANK SETTLEMENT MAY BE COMING UNSTUCK
TAGS: EFIN, CS, LAB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006